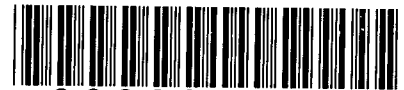


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**COMMISSIONERS**  
JEFF HATCH-MILLER - Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
BARRY WONG

BRIAN C. McNEIL  
EXECUTIVE DIRECTOR



SECURITIES DIVISION  
1300 West Washington, Third Floor  
Phoenix, AZ 85007  
TELEPHONE: (602) 542-4242  
FAX: (602) 594-7470  
E-MAIL: securitiesdiv@azcc.gov

615

ARIZONA CORPORATION COMMISSION

MEMORANDUM

TO: Jeff Hatch-Miller, Chairman  
William A. Mundell  
Mike Gleason  
Kristin K. Mayes  
Barry Wong

FROM: Matthew J. Neubert  
Director of Securities

DATE: December 27, 2006

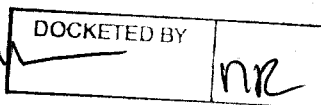
RE: *Mid America Energy, Inc. et. al S-20442A-06-0110*

CC: Brian C. McNeil, Executive Director

Arizona Corporation Commission

DOCKETED

DEC 27 2006



AZ CORP COMMISSION  
DOCUMENT CONTROL

2006 DEC 27 A 11:08

RECEIVED

Attached hereto you will find the following: (1) Order to Cease and Desist, Order for Restitution and Consent to same by: Respondent John Blitz ("Blitz Consent") and (2) Order to Dismiss Lucille Blitz without prejudice (Lucille Blitz Dismissal);

This matter involves the offer and sale of interests in limited liability partnerships in oil and gas wells claimed to be drilled in Adair County, Kentucky. A Temporary Order to Cease and Desist and Notice of Opportunity for Hearing was entered on February 28, 2006. This Order was amended on September 8, 2006 and will be referred to as the First Amended TC&D. The First Amended TC&D involves four entities and seven individuals. Both orders required respondents immediately cease and desist from violating the Securities Act.

At the January 9, 2007, open meeting, the Division will be requesting that the Commission approve the Blitz Consent and the Lucille Blitz Dismissal. The following comments pertain to these requests:

Blitz Consent

- John Blitz ("Blitz") was a salesperson for Mid America Energy, Inc. and Mid America Oil & Gas, LLC. Blitz cooperated and provided us with all information he had concerning his contacts with the other respondents and with investors. Blitz also provided his testimony

under oath. Based upon our investigation, and as confirmed by other cooperating agencies, we believe that Blitz is liable for offers of securities to Arizona residents however, he did not make any sales or commissions from any Arizona investors. Blitz also appears to have discontinued any direct activity with Arizona investors after he was served with the February 28, 2006 Temporary Cease and Desist Order.

- In consideration of his cooperation, the Division proposes the approval of the consent order that Blitz has agreed upon with the assistance of counsel. In the consent, Blitz does not admit or deny any of the allegations in the administrative action. He does agree to pay \$3,000.00 that shall be allocated towards restitution to Arizona investors. In the order Blitz also agrees that he will not violate the Securities Act.

#### Lucille Blitz Dismissal

- Lucille Blitz was joined in this action as the spouse of John Blitz solely for purposes of determining the liability of the martial community. Lucille Blitz did file an appearance in the proceedings through counsel.
- However, since John Blitz will be paying by certified check at the time of entry of the order, if it is approved, there is no reason to have Lucille Blitz remain as a party to the proceedings.
- Therefore, the Division recommends her dismissal by entry of the proposed order.

The Division has had discussions with counsel for the Blitzs. Counsel is in favor of the dismissal of Lucille Blitz, and has approved the Blitz Consent.

The Division believes that the proposed orders are appropriate to protect the public welfare and are in the best interest of the investors.

1                                   **BEFORE THE ARIZONA CORPORATION COMMISSION**

2                                   **COMMISSIONERS**

3                                   JEFF HATCH-MILLER, Chairman  
4                                   WILLIAM A. MUNDELL  
5                                   MIKE GLEASON  
6                                   KRISTIN K. MAYES  
7                                   BARRY WONG

8 In the matter of:

) Docket No. S-20442A-06-0110

9 Mid America Energy, Inc.,  
10 a Nevada Corporation  
11 321 Victor Reiter Parkway  
12 Portland, TN 37148

) DECISION NO. \_\_\_\_\_

13 Mid America Oil & Gas, LLC  
14 a Kentucky Limited Liability Company,  
15 493 Pleasant Run Church  
16 Campbellsville, KY

) **ORDER TO CEASE AND DESIST, ORDER  
FOR RESTITUTION AND CONSENT TO  
SAME  
BY: RESPONDENT JOHN BLITZ**

17 Gary M. Milby a/k/a  
18 Gary Moss Milby a/k/a  
19 Gary M. Milley  
20 and Wanda Milby,  
21 husband and wife  
22 321 Victor Reiter Parkway  
23 Portland, TN 37148

24 Jim and Rita Whatcott,  
25 husband and wife  
26 222 Basin Creek Road  
Durango, CO 81303-3647

John and Lucille Blitz,  
husband and wife  
225 Marneh Avenue  
Santa Cruz, CA 95062

Clinton Goff a/k/a Clint Goff,  
an un-married man  
321 Victor Reiter Parkway  
Portland, TN 37148

Warren Exploration, LLC  
 A Nevada Limited Liability Company  
 321 Victor-Reiter Parkway  
 Portland, TN 37148

Energy Marketing, Inc.,  
 a Nevada Corporation  
 129 Haven Street, Unit A  
 Hendersonville, TN 37075

Respondents.

Respondent John Blitz elects to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To Cease And Desist, Order for Restitution and Consent to Same ("Order"). Respondent admits the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order; and consents to the entry of this Order by the Commission.

## I.

### FINDINGS OF FACT

1. JOHN BLITZ ("Blitz" or "Respondent") resides at 225 Marnell Avenue, Santa Cruz, CA 95062. At all relevant times, Lucille Blitz was the spouse of BLITZ.

2. About mid January of 2005 Blitz replied to an ad in the New York Times seeking an "ISO," an Independent Sales Organization, to market oil and gas investments. Subsequently, Blitz visited Mid America Energy, Inc. ("MAE"), Mid America Oil & Gas, LLC ("MAOG") and visited with John Melton, Missy Chapman, and Gary Milby ("MILBY") in Tennessee. After the trip to Tennessee, BLITZ agreed to work on bringing in oil and gas investors to MAE and MAOG; in return BLITZ would receive a percentage of the investments raised.

3. On January 31, 2006, BLITZ arranged an ad with the online "Oil & Gas Journal" at [www.ogj.com](http://www.ogj.com) to find leads for MAE and MAO investors. From at least the first week of February

1 of 2006, BLITZ placed advertisements for oil and gas opportunities in various newspapers including  
2 the Arizona Republic, to bring investors to MAE and MAOG.

3 4. BLITZ specifically arranged to publish an ad in the Arizona Republic that ran on  
4 Sunday February 5, 2006. This ad stated, "Make up to \$4800/mo on a \$49K oil investment.  
5 615-537-0261." At all times, MAE, MAOG, and MILBY were aware of the advertisements being  
6 made by BLITZ, in fact they reviewed and approved the ads.

7 5. A call to the published number by at least one potential Arizona investor resulted in a  
8 return phone call from BLITZ who represented himself as a representative of Mid America  
9 Energy ("MAE") located in Hendersonville, Tennessee. On February 22, 2006, BLITZ  
10 represented that MAE was operated by MILBY and offered a 2% net revenue interest in three oil  
11 wells for \$49,000 in an area called the "Knox Formation." BLITZ represented that payments to  
12 investors would begin one year after the investment was made and continue for approximately  
13 twenty plus years.

14 6. On February 22, 2006, BLITZ also represented that the opportunity with MAE is a  
15 private placement "registered with the SEC." In fact, no filing existed with the SEC concerning  
16 Eagle Oil #6 on or prior to February 22, 2006.

17 7. On or about February 27, 2006, a "Private Placement Memorandum" ("PPM"), for a  
18 program known as EAGLE OIL #6 was received by at least one potential Arizona investor from  
19 MAE and BLITZ. The materials also identify MILBY as President of MAE and as the Managing  
20 Partner for the EAGLE OIL #6 program.

21 8. Under the alleged PPM, \$1,225,000 was to be raised from the sale of 25 units at  
22 \$49,000 each. According to the PPM, in the aggregate the 25 units will have a total of 50% net  
23 revenue interest and a 62.5% working interest in three new oil and gas wells in Adair County,  
24 Kentucky.

25 9. In the PPM, MAE represents that EAGLE OIL #6 is a Tennessee limited liability  
26 partnership.

1           10. Again according to the PPM, once funded by MAE, EAGLE OIL #6 is to drill,  
2 complete, and operate up to three wells. Distributions are to be made to the partners from the  
3 revenues of the wells minus expenses and reserves.

4           11. Terms of the EAGLE OIL #6 investment are also set forth in a brochure which  
5 BLITZ arranged to forward to at least one Arizona investor. The brochure identifies both  
6 MAOG and MAE in the materials which encourages Prospective investors "to visit the field  
7 operations" by MILBY.

8           12. However, it is clear from the PPM that investors must rely upon management who has  
9 the sole discretion over everything including the drill sites and whether to substitute them. In  
10 fact, in the PPM it states that, "[t]he Managing Partner will have exclusive and complete  
11 discretion in and responsibility for the management of the Partnership and will make all  
12 decisions affecting Partnership affairs, including certain decisions with respect to the drilling,  
13 completion, development and operation of the properties in which the Partnership invest. The  
14 Managing Partner will exercise complete control over all of the Partnership's activities.  
15 Accordingly, the investors must rely entirely upon the Managing Partner and its management  
16 and personnel in the conduct of the Partnership's business." (Italics added). There is no avenue  
17 for investors to participate in the management of the venture.

18           13. The documents received by at least one potential Arizona investor on February 27,  
19 2006 also contained a cover letter from BLITZ. The cover letter sets forth highlights of the oil  
20 drilling investment including the following representations: "3 *Guaranteed Producing Oil*  
21 *Wells,*" "[m]onthly income checks for as much as \$3,600 + per unit," and "*Monthly checks*  
22 *lasting for as long as 30--50 years.*" (Italics added).

23           14. The investments with MAE and MAOG were offers of securities in the form of  
24 investment contracts in oil and gas opportunities.

25           15. On or prior to December 6, 2005, the Pennsylvania Securities Commission issued a  
26 Summary Order to Cease and Desist against MAE, MILBY and Tom McKenna. Said order was

1 entered to halt the offer and sale of unregistered securities, namely units representing a working  
2 interest in an operation to drill and operate oil wells in Kentucky – Black Gold Oil #4, LLP. The  
3 summary order was not disclosed by BLITZ to at least one potential Arizona investor.

4 16. On February 28, 2006 a TEMPORARY ORDER TO CEASE AND DESIST AND  
5 NOTICE OF OPPORTUNITY FOR HEARING (“TC&D”) was entered by the Arizona  
6 Corporation Commission against, among others, BLITZ.

7 17. BLITZ represents under oath that no securities offers he made in Arizona or to Arizona  
8 residents resulted in any sales.

9 18. The Division’s records reflect that Arizona residents invested at least \$200,000.00 with  
10 MAE and MAOG. The Arizona investors known to the Division are believed to have been  
11 introduced to MAE and MAOG by persons other than BLITZ.

12 19. Since receiving notice of the entry of the TC&D, BLITZ represents under oath that he  
13 has not directly offered securities in Arizona.

## 14 II.

### 15 CONCLUSIONS OF LAW

16 1. The Commission has jurisdiction over this matter pursuant to Article XV of the  
17 Arizona Constitution and the Securities Act.

18 2. Respondent offered or sold securities within or from Arizona, within the meaning of  
19 A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

20 3. Respondent violated A.R.S. § 44-1841 by offering or selling securities that were  
21 neither registered nor exempt from registration.

22 4. Respondent violated A.R.S. § 44-1842 by offering or selling securities while neither  
23 registered as a dealer or salesman nor exempt from registration.

24 5. Respondent violated A.R.S. § 44-1991 by making untrue statements or misleading  
25 omissions of material facts.

6. Respondent's conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032 and A.R.S. § 44-3292.

### III.

## ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondent's consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondent, and any of Respondent's agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act. Respondent shall not sell any securities in or from Arizona without being registered in Arizona as a dealer or salesman, or exempt from such registration. Respondent shall not sell securities in or from Arizona unless the securities are registered in Arizona or exempt from registration.

IT IS FURTHER ORDERED that Respondent comply with the attached Consent to Entry of Order.

IT IS FURTHER ORDERED, pursuant to agreement with the Respondent and A.R.S. § 44-2032 and A.R.S. § 44-3292, that Respondent shall pay to the State of Arizona the amount of \$3,000.00 by certified check, as restitution, on January 9, 2007, at the open meeting before the Commission. Any amount outstanding shall accrue interest at the rate of 10% per annum from the date of this Order until paid in full. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account maintained and controlled by the Commission. The Commission shall disburse the funds on a pro rata basis to investors shown on the records of the Commission on the date of the entry of this order. Any restitution funds that the Commission cannot disburse because an investor refuses to accept such payment shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the Commission. Any funds that the Commission

1 determines it is unable to or cannot feasibly disburse shall be transferred to the general fund of the  
2 state of Arizona.

3 For purposes of this Order, a bankruptcy filing by Respondent shall be an act of default. If  
4 Respondent does not comply with this Order, any outstanding balance may be deemed in default  
5 and shall be immediately due and payable.

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1 IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the  
2 Commission may bring further legal proceedings against that Respondent, including application to  
3 the superior court for an order of contempt.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION  
6  
7

8 CHAIRMAN

COMMISSIONER

9  
10 COMMISSIONER

COMMISSIONER

COMMISSIONER

11  
12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
13 Executive Director of the Arizona Corporation  
14 Commission, have hereunto set my hand and caused the  
official seal of the Commission to be affixed at the  
Capitol, in the City of Phoenix, this \_\_\_\_\_ day of  
\_\_\_\_\_, 20\_\_.

15  
16  
17 \_\_\_\_\_  
BRIAN C. McNEIL  
18 Executive Director

19  
20 \_\_\_\_\_  
DISSENT

21  
22 \_\_\_\_\_  
DISSENT

23 This document is available in alternative formats by contacting Linda Hogan, Executive Assistant  
24 to the Executive Director, voice phone number 602-542-3931, E-mail [lhogan@azcc.gov](mailto:lhogan@azcc.gov).

25 (soe)  
26

**CONSENT TO ENTRY OF ORDER**

1  
2  
3       1.     Respondent John Blitz ("BLITZ"), an individual, admits the jurisdiction of the  
4 Commission over the subject matter of this proceeding. Respondent BLITZ acknowledges that he  
5 has been fully advised of his right to a hearing to present evidence and call witnesses and  
6 Respondent BLITZ knowingly and voluntarily waives any and all rights to a hearing before the  
7 Commission and all other rights otherwise available under Article 11 of the Securities Act and  
8 Title 14 of the Arizona Administrative Code. Respondent BLITZ acknowledges that this Order to  
9 Cease and Desist, Order for Administrative Penalties and Consent to Same by: Respondents John  
10 Blitz ("Order") constitutes a valid final order of the Commission.

11       2.     Respondent BLITZ knowingly and voluntarily waives any right under Article 12 of  
12 the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief  
13 resulting from the entry of this Order.

14       3.     Respondent BLITZ acknowledges and agrees that this Order is entered into freely  
15 and voluntarily and that no promise was made or coercion used to induce such entry.

16       4.     Respondent BLITZ acknowledges that he has been represented by an attorney in  
17 this matter, he has reviewed this Order with his attorney, Michael Ross of the law firm of  
18 Gallagher and Kennedy, and understands all terms it contains.

19       5.     Respondent BLITZ neither admits nor denies the Findings of Fact and Conclusions  
20 of Law contained in this Order. Respondent BLITZ agrees that he shall not contest the validity of  
21 the Findings of Fact and Conclusions of Law contained in this Order in any present or future  
22 administrative proceeding before the Commission or any other State agency concerning the denial  
23 or issuance of any license or registration required by the State to engage in the practice of any  
24 business or profession.

25       6.     Notwithstanding the foregoing, BLITZ states under penalty of perjury that no  
26 securities offers he made in Arizona or to Arizona residents resulted in any sales. Further, Blitz

1 represents that since receiving notice of the entry of the TC&D, that he has not directly offered  
2 securities in Arizona.

3 7. By consenting to the entry of this Order, Respondent BLITZ agrees not to take any  
4 action or to make, or permit to be made, any public statement denying, directly or indirectly, any  
5 Finding of Fact or Conclusion of Law in this Order or creating the impression that this Order is  
6 without factual basis. Respondent BLITZ will undertake steps necessary to assure that all of his  
7 agents and employees understand and comply with this agreement.

8 8. While this Order settles this administrative matter between Respondent BLITZ and  
9 the Commission, Respondent BLITZ understands that this Order does not preclude the  
10 Commission from instituting other administrative or civil proceedings based on violations that are  
11 not addressed by this Order.

12 9. Respondent BLITZ understands that this Order does not preclude the Commission  
13 from referring this matter to any governmental agency for administrative, civil, or criminal  
14 proceedings that may be related to the matters addressed by this Order.

15 10. Respondent BLITZ understands that this Order does not preclude any other agency  
16 or officer of the state of Arizona or its subdivisions from instituting administrative, civil, or  
17 criminal proceedings that may be related to matters addressed by this Order.

18 11. Respondent BLITZ agrees that he will not sell any securities in or from Arizona  
19 without being properly registered in Arizona as a dealer or salesman, or exempt from such  
20 registration; he will not sell any securities in or from Arizona unless the securities are registered in  
21 Arizona or exempt from registration; and he will not transact business in Arizona as an investment  
22 adviser or an investment adviser representative unless properly licensed in Arizona or exempt from  
23 licensure.

24 12. Respondent BLITZ agrees that he will continue to cooperate with the Securities  
25 Division including, but not limited to, providing complete and accurate testimony at any hearing in  
26

1 this matter and cooperating with the state of Arizona in any related investigation or any other  
2 matters arising from the activities described in this Order.


3 13. Respondent BLITZ agrees to pay the sum of \$3,000 to be paid as restitution under  
4 A.R.S. § 44-2032.

5 14. Respondent BLITZ consents to the entry of this Order and agrees to be fully bound  
6 by its terms and conditions.

7 15. Respondent BLITZ acknowledges and understands that if he fails to comply with  
8 the provisions of the order and this consent, the Commission may bring further legal proceedings  
9 against him, including application to the superior court for an order of contempt.

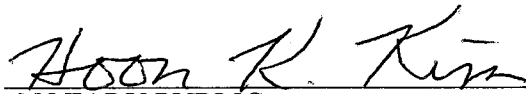
10 16. Respondent BLITZ understands that default shall render him liable to the  
11 Commission for its costs of collection and interest at the maximum legal rate.

12 17. Respondent BLITZ agrees and understands that if he fails to make any payment as  
13 required in the Order, any outstanding balance shall be in default and shall be immediately due and  
14 payable without notice or demand. Respondent BLITZ agrees and understands that acceptance of  
15 any partial or late payment by the Commission is not a waiver of default by Commission.

16  
17   
18 Respondent John Blitz

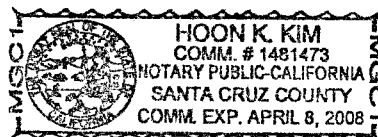
19 CALIFORNIA  
20 STATE OF ARIZONA )  
21 *HK* ) ss  
22 County of SANTA CRUZ

23 SUBSCRIBED AND SWORN TO BEFORE me this 14th day of December, 2006.

24   
25 NOTARY PUBLIC

26 My Commission Expires:

APRIL 8, 2008



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JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
BARRY WONG

Docket No. S-20442A-06-0110

DECISION NO.

**ORDER OF DISMISSAL OF  
RESPONDENT LUCILLE BLITZ,  
WITHOUT PREJUDICE**

**Jim and Rita Whatcott,  
husband and wife  
222 Basin Creek Road  
Durango, CO 81303-3647**

Clinton Goff a/k/a Clint Goff,  
an un-married man  
321 Victor Reiter Parkway  
Portland, TN 37148

Warren Exploration, LLC  
A Nevada Limited Liability Company

321 Victor-Reiter Parkway  
Portland, TN 37148

Energy Marketing, Inc.,  
a Nevada Corporation  
129 Haven Street, Unit A  
Hendersonville, TN 37075

Respondents.

A Temporary Order to Cease and Desist and Notice of Opportunity for Hearing was entered on February 28, 2006 against Lucille Blitz. This order was amended and filed as the First Amended Temporary Order to Cease and Desist and Notice of Opportunity for Hearing on September 8, 2006. The Arizona Corporation Commission having reviewed this matter and being advised in the premises,

IT IS HEREBY ORDERED:

Dismissing Lucille Blitz from these proceedings, without prejudice.

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1 IT IS FURTHER ORDERED that this Order shall become effective immediately.

2 BY ORDER OF THE ARIZONA CORPORATION COMMISSION  
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5 CHAIRMAN

COMMISSIONER

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8 COMMISSIONER

COMMISSIONER

COMMISSIONER

9  
10 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
11 Executive Director of the Arizona Corporation  
12 Commission, have hereunto set my hand and caused the  
13 official seal of the Commission to be affixed at the  
14 Capitol, in the City of Phoenix, this \_\_\_\_\_ day of  
15 \_\_\_\_\_, 20\_\_.

16 BRIAN C. McNEIL  
Executive Director

17  
18 DISSENT

19  
20 DISSENT

21 This document is available in alternative formats by contacting Linda Hogan, Executive Assistant  
22 to the Executive Director, voice phone number 602-542-3931, E-mail [lhogan@azcc.gov](mailto:lhogan@azcc.gov).

23 (soe)  
24  
25  
26